

**Michigan Municipal Bond Authority  
of the State of Michigan**  
(a component unit of the  
State of Michigan)

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**Financial Report  
with Supplemental Information  
September 30, 2006**



# Michigan Municipal Bond Authority of the State of Michigan

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## Independent Auditor's Report

To the Michigan Municipal Bond Authority  
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

We have audited the accompanying basic financial statements of Michigan Municipal Bond Authority, a component unit of the State of Michigan, as of and for the years ended September 30, 2006 and 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Michigan Municipal Bond Authority at September 30, 2006 and 2005 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (unaudited) presented on pages 6 through 13 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Michigan Municipal Bond Authority  
Lansing, Michigan  
and

Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Plante & Moran, PLLC*

November 14, 2006

**Report on Internal Controls Over Financial  
Reporting and on Compliance and Other  
Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***

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Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Michigan Municipal Bond Authority  
Lansing, Michigan  
and  
Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

We have audited the basic financial statements of Michigan Municipal Bond Authority (the "Authority"), a component unit of the State of Michigan, as of and for the year ended September 30, 2006 and have issued our report thereon dated November 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Michigan Municipal Bond Authority  
Lansing, Michigan  
and  
Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of Michigan Municipal Bond Authority and the Auditor General of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 14, 2006

## **Management's Discussion and Analysis (unaudited)**

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# **Michigan Municipal Bond Authority of the State of Michigan**

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## **Management's Discussion and Analysis (unaudited)**

### **Financial Position and Results of Operations**

We are pleased to present the financial statements for Michigan Municipal Bond Authority (the "Authority"). The Authority is a nonprofit agency, established by the Shared Credit Rating Act, Public Act 227 of 1985, to provide local governments and schools cost-effective choices for borrowing funds. The Authority's programs are designed to meet the financing needs of the borrowers while offering a simplified borrowing process with highly competitive rates and reduced cost of issuance. All cities, counties, townships, public schools, public hospitals, public colleges, and public universities are eligible to use the Authority on a voluntary basis.

The Authority is a public body corporate within the Michigan Department of Treasury, Bureau of Bond Finance. The Authority is governed by a board of trustees, which provides overall governing direction for the Authority. The state treasurer serves as chairperson on the board of trustees. The governor, with the advice and consent of the state senate, appoints the members of the board of trustees.

The basis of the Authority's financing programs is the pooling of local government loans. The Authority gathers or pools various types and sizes of local government bonds, notes, and installment purchase agreements. The Authority sells a similar amount of debt in the regional and national public finance market and lends the monies received from the sale to the participating municipal borrowers. The Authority consistently offers interest rates that compare favorably with Michigan and national pricing indices. Also, the Authority's reputation and name recognition in the capital markets creates demand for the Authority's securities, translating to lower interest rates for borrowers. Additionally, borrowers on a pro rata basis share costs of issuance, typically resulting in lower costs than each borrower would pay individually. As the Authority can lower the interest rate and issuing costs for Michigan governments, the result is fewer tax dollars expended for debt by Michigan taxpayers. As borrowers make repayments, the Authority uses these funds to repay its bond or note holders. Each borrower pays a pro rata share of costs of issuance and is only responsible for its own loan.

The Authority offers a variety of programs to provide financing options to local units of government or schools needing loans. A community or school may borrow for such purposes as new building and land purchases; water and sewer projects; fire trucks; police cars; school busses or other equipment needs; road improvements; energy conservation; refundings; cash flow; or other legally authorized projects and purposes. These programs include:

# **Michigan Municipal Bond Authority of the State of Michigan**

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## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Financial Position and Results of Operations (Continued)**

- Local Government Loan Program provides competitive interest rates for 3- to 30-year loans. The Authority issues several types of bonds under this program: Revenue Sharing, Transportation Fund, School Aid and Insured, Local Project Bonds, and Qualified School Bonds. The Authority issued bonds totaling \$9.825 million, along with additional funds of the Authority, refunded \$10.25 million of prior debt during the fiscal year ended September 30, 2006. During the year ended September 30, 2005, the Authority issued bonds totaling \$9.985 million.
- State Aid Note Program offers a simplified borrowing process for schools to fund short-term cash flow needs for operating purposes. The program allows schools to pool their loans with those of other schools, resulting in competitive rates and reduced costs of issuance. This program began in 1987 and in fiscal year 2006, financings totaled \$543.0 million, providing 233 new loans for school districts. During fiscal year 2005, financing totaled \$838.2 million, providing 236 new loans for school districts.
- State Revolving Fund and the Drinking Water Revolving Fund programs provide low-cost financing for municipal wastewater facilities and drinking water projects. The Authority jointly administers these programs with the Michigan Department of Environmental Quality, which determines qualified projects and annual funding priority. The Authority did not issue any State Revolving Fund bonds during fiscal year 2006. During fiscal year 2005, the Authority issued \$255.68 million of State Revolving Fund bonds in July 2005, including a refunding of prior debt in the amount of \$86.375 million.
- Local Government Financing Program offers options and flexibility for borrowers through Financing Agreements that provide funds as needed. Qualified borrowers are able to apply for loans as needed. The Authority has partnered with a finance company to offer this program. The program is a pass-through financing for the Authority and, as such, the Authority does not reflect a liability for these loans in its financial statements.
- The Strategic Water Quality Initiatives Fund program provides loans to municipalities for purposes such as septic system upgrades and replacements and other projects which are generally not eligible to be financed through the State Revolving Fund program. This program is managed by the Authority and the Department of Environmental Quality. During fiscal year 2006, the Authority received \$42.8 million from the State of Michigan for the use of grants to municipalities seeking loan assistance from the State Revolving Fund or the SWQIF loan programs.

# **Michigan Municipal Bond Authority of the State of Michigan**

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## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Financial Position and Results of Operations (Continued)**

- The School Loan Revolving Fund was established in 2005 by amendments to the Shared Credit Rating Act for the purpose of funding qualified loans to school districts as approved by the State of Michigan. During fiscal year 2005, the fund received a \$30 million capital contribution from the State of Michigan, in addition to an assignment of loan repayment obligations totaling \$42.3 million on loans previously made from the School Bond Loan Fund. In exchange for the assignment of loan repayments, the Authority allocated \$41.1 million from the School Loan Revolving Fund to the State of Michigan School Aid Fund (SAF). This resulted in the Authority recording a liability to the SAF at September 30, 2005.

During fiscal year 2006, the Fund received an additional \$101 million of capital contributions from the State of Michigan, in addition to the assignment of loan repayment obligations totaling \$166.0 million on loans previously made from the School Bond Loan Fund. Concurrently, the State terminated the previous assignment of loan repayment obligations of \$42.3 million. In exchange for the assignment of loan repayments, the Authority allocated \$44.5 million from the School Loan Revolving Fund to the State of Michigan School Aid Fund (SAF). The Authority issued bonds totaling \$85 million for the fiscal year ended September 30, 2006 and utilized the bond proceeds to pay the entire liability to the State of Michigan.

The enclosed basic financial statements present the Authority's assets and liabilities, revenue, expenses, and changes in fund equity, and cash flows. The following is a condensed summary of financial information for the fiscal years 2004, 2005, and 2006.

# Michigan Municipal Bond Authority of the State of Michigan

## Management's Discussion and Analysis (unaudited) (Continued)

### Financial Position and Results of Operations (Continued)

Condensed financial information for the General Fund, State Revolving Fund, Strategic Water Quality Initiatives Fund, and School Loan Revolving Fund (in thousands):

Net assets	2006	2005	2004
Cash and investments	\$ 1,705,260	\$ 1,712,418	\$ 1,593,888
Accrued interest receivable	177,990	146,912	142,986
Revenue notes receivable	536,370	830,905	762,067
Bonds receivable	681,133	766,143	819,930
Loans receivable	2,314,551	2,023,752	1,649,186
Other receivables	15,139	17,108	23,690
Deferred charges	24,539	29,565	25,630
Total assets	5,454,982	5,526,803	5,017,377
Revenue notes payable	537,382	832,625	763,051
Bonds payable	2,920,030	2,978,082	2,663,963
Accrued interest payable	124,203	136,304	140,023
Other liabilities	5,736	45,763	6,657
Deferred revenue	5,780	760	10,941
Total liabilities	3,593,131	3,993,534	3,584,635
Total net assets	<u>\$ 1,861,851</u>	<u>\$ 1,533,269</u>	<u>\$ 1,432,742</u>

# Michigan Municipal Bond Authority of the State of Michigan

## Management's Discussion and Analysis (unaudited) (Continued)

### Financial Position and Results of Operations (Continued)

Condensed financial information for the General Fund, State Revolving Fund, Strategic Water Quality Initiatives Fund and School Loan Revolving Fund (in thousands) :

Operating results	2006	2005	2004
Interest income	\$ 196,366	\$ 159,714	\$ 139,878
Other income	2,612	3,186	4,093
Total income	198,978	162,900	143,971
Interest expense	161,051	149,232	135,216
Amortization expense	7,183	6,517	4,488
Administrative expense	3,386	3,403	3,514
Total expense	171,620	159,152	143,218
Operating income	27,358	3,748	753
Nonoperating revenue	301,224	96,779	110,291
Change in net assets	<u>\$ 328,582</u>	<u>\$ 100,527</u>	<u>\$ 111,044</u>

### Net Assets

Total assets from 2004 to 2006 have increased overall. This is attributable to additional loans made by the Authority and loans assigned to the Authority by the State of Michigan.

At fiscal year end 2006, the Authority held cash and investments which will be used in part to fund loans to qualified schools through the School Loan Revolving Fund. As the result of the sale of the 2005 State Revolving Fund bonds, cash and investments at September 30, 2005 had increased over the previous year. Bond proceeds available to fund loans are held and invested by the Authority until needed. The total amount of revenue notes issued through the State Aid Note Program in fiscal year 2006 decreased from over \$830 million issued in fiscal year 2005 to only \$547 million issued in fiscal year 2006 because prior year issuances included Detroit Public Schools.

# **Michigan Municipal Bond Authority of the State of Michigan**

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## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Net Assets (Continued)**

Loans receivable increases of approximately \$291 million during 2006 and \$375 million during 2005 were the result of draws on loans by community and municipalities participating in the State Revolving Funds as well as a loan to Detroit Public Schools of \$210 million in 2005 that refinanced and restructured an earlier note borrowing. In addition, the loans increased in the two previous fiscal years due to the assignment of loans from the State of Michigan for the School Loan Revolving Fund.

The decrease in total liabilities from September 30, 2005 to September 30, 2006 is due to fewer bonds and notes payable outstanding and less corresponding interest payable on those obligations. Total liabilities increased from \$3.58 billion at fiscal year end 2004 to \$3.99 billion at year end 2005. This increase was due to the issuance of approximately \$471.7 million of bonds which included a partial refunding of the 1997 Clean Water Bonds. More detailed information on debt outstanding is shown in Notes 4 and 9 of the audited basic financial statements. Long-term debt represents approximately 75 percent of total liabilities. Funds for the Authority's debt payments come from the principal and interest repayments made by borrowers participating in the various loans/programs of the Authority.

Unrestricted assets in the General Fund are reported as \$11.5 million which is an increase from previous fiscal years. Restricted assets of the State Revolving Fund increased as a result of federal capitalization grants awarded to the Department of Environmental Quality (DEQ) and used in the Water Pollution and Drinking Water Programs to fund construction projects. The School Loan Revolving Fund net assets represent the increase in assigned loans receivable and the cash and investment increases from the sale of bonds which will be used to fund loans in the next fiscal year. Total net assets of the Authority at September 30, 2006 are \$1.862 billion. The net assets of the Authority have increased in each of the last two fiscal years from \$1.4 billion at the end of fiscal year 2004. This represents a 30 percent increase in two years.

# **Michigan Municipal Bond Authority of the State of Michigan**

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## **Management's Discussion and Analysis (unaudited) (Continued)**

### **Results of Operations for the Year Ended September 30, 2006 Compared to the Years Ended September 30, 2005 and 2004**

Overall operating income of \$27.4 million in fiscal year 2006 is an increase compared to fiscal year 2005. The overall operating income of \$3.8 in fiscal year 2005 was also an increase from fiscal year 2004. Higher earnings on investments contributed to the increase for both years. As investments have matured, the reinvestment opportunities have been at higher rates which impact interest income.

Revenue from interest earnings represents 98 percent of the Authority's total operating revenue. Other operating revenue consists of administrative fees and fees the Authority receives from its financing activities. Operating expenses reported at September 30, 2005 total \$159.2 million. For fiscal year 2006, the operating expenses increased to \$171.6 million due to an increase in interest expenses. However, as noted above, the interest income increased as well. The administrative expense as a percentage of total operating expenses decreased in fiscal year 2006. At year end 2006, this percentage was 1.9 percent which is a decrease from 2.1 percent for the previous fiscal year. Salaries and indirect administrative expenses are allocated to the Authority based on a predetermined percentage of total Bureau costs. The Authority processes the payment of certain administrative fees for the staff of the Department of Environmental Quality, the co-administrators of the State Revolving Fund. Funds for these administrative expenses are provided in part by a grant from the federal government.

### **Contacting the Municipal Bond Authority**

In addition to its audited basic financial statements, the Authority issues an annual statistical report as required by statute. Interested parties may obtain such reports by contacting the Authority. Information on the Authority can be found at [www.michigan.gov/mmba](http://www.michigan.gov/mmba).

The contact information for the Authority is:

Michigan Municipal Bond Authority  
Richard A. Austin Building  
430 W. Allegan  
Lansing, MI 48922  
Phone (517) 335-0994

## **Basic Financial Statements**

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# Michigan Municipal Bond Authority of the State of Michigan

## Statement of Net Assets

	Business-type Activities									
	General Fund		State Revolving Fund		Strategic Water Quality Initiatives Fund		School Loan Revolving Fund		Total	
	September 30		September 30		September 30		September 30		September 30	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Assets</b>										
<b>Current Assets</b>										
Cash (Note 2)	\$ 144,872	\$ -	\$ 2,538,181	\$ 22,368	\$ 42,851,069	\$ -	\$ 43,088,320	\$ 30,000,000	\$ 88,622,442	\$ 30,022,368
Investments (Note 2)	31,128,852	17,202,081	837,866,230	579,489,756	1,176,459	892,031	5,636,736	-	875,808,277	597,583,868
Accrued interest receivable	30,619,931	25,995,022	18,688,596	13,342,446	5,529	1,734	13,329	-	49,327,385	39,339,202
Revenue notes receivable (Note 4)	536,370,080	830,905,112	-	-	-	-	-	-	536,370,080	830,905,112
Bonds receivable (Note 5)	83,057,207	83,402,231	-	-	-	-	-	-	83,057,207	83,402,231
Loans receivable:										
State revolving (Note 6)	-	-	111,947,346	91,666,983	-	-	-	-	111,947,346	91,666,983
Public school (Note 7)	10,541,983	853,320	-	-	-	-	-	-	10,541,983	853,320
Strategic water quality initiatives (Note 8)	-	-	-	-	130,000	75,000	-	-	130,000	75,000
Receivable from State of Michigan	-	-	2,123,124	430,200	-	243,057	-	-	2,123,124	673,257
Other	335,724	250,454	446,170	504,811	-	-	-	-	781,894	755,265
<b>Total current assets</b>	<b>692,198,649</b>	<b>958,608,220</b>	<b>973,609,647</b>	<b>685,456,564</b>	<b>44,163,057</b>	<b>1,211,822</b>	<b>48,738,385</b>	<b>30,000,000</b>	<b>1,758,709,738</b>	<b>1,675,276,606</b>
<b>Noncurrent Assets</b>										
Investments (Note 2)	-	10,781,508	740,829,249	1,074,029,834	-	-	-	-	740,829,249	1,084,811,342
Accrued interest receivable	100,012,939	107,572,545	-	-	-	-	28,649,782	-	128,662,721	107,572,545
Deferred charges - Net (Note 3)	12,479,742	16,745,533	11,538,817	12,816,075	-	3,500	520,117	-	24,538,676	29,565,108
Bonds receivable (Note 5)	598,075,382	682,741,050	-	-	-	-	-	-	598,075,382	682,741,050
Receivable from State of Michigan	-	-	12,235,000	15,680,000	-	-	-	-	12,235,000	15,680,000
Loans receivable:										
State revolving (Note 6)	-	-	1,724,127,547	1,633,514,793	-	-	-	-	1,724,127,547	1,633,514,793
Public school (Note 7)	243,532,129	254,074,112	-	-	-	-	221,883,002	42,306,380	465,415,131	296,380,492
Strategic water quality initiatives (Note 8)	-	-	-	-	2,388,779	1,261,707	-	-	2,388,779	1,261,707
<b>Total noncurrent assets</b>	<b>954,100,192</b>	<b>1,071,914,748</b>	<b>2,488,730,613</b>	<b>2,736,040,702</b>	<b>2,388,779</b>	<b>1,265,207</b>	<b>251,052,901</b>	<b>42,306,380</b>	<b>3,696,272,485</b>	<b>3,851,527,037</b>
<b>Total assets</b>	<b>\$ 1,646,298,841</b>	<b>\$ 2,030,522,968</b>	<b>\$ 3,462,340,260</b>	<b>\$ 3,421,497,266</b>	<b>\$ 46,551,836</b>	<b>\$ 2,477,029</b>	<b>\$ 299,791,286</b>	<b>\$ 72,306,380</b>	<b>\$ 5,454,982,223</b>	<b>\$ 5,526,803,643</b>

# Michigan Municipal Bond Authority of the State of Michigan

## Statement of Net Assets (Continued)

	Business-type Activities									
	General Fund		State Revolving Fund		Strategic Water Quality Initiatives Fund		School Loan Revolving Fund		Total	
	September 30		September 30		September 30		September 30		September 30	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
Accounts payable and other liabilities	\$ 304,586	\$ 275,872	\$ 4,837,747	\$ 3,965,441	\$ -	\$ -	\$ 35,000	\$ -	\$ 5,177,333	\$ 4,241,313
Due to other governmental units	-	-	441,050	410,035	117,943	11,387	-	-	558,993	421,422
Accrued interest payable	31,026,923	37,745,816	45,109,326	42,617,465	-	72,000	223,282	-	76,359,531	80,435,281
Revenue notes payable (Note 4)	537,381,822	832,624,518	-	-	-	-	-	-	537,381,822	832,624,518
Deferred revenue	-	-	5,780,500	761,444	-	-	-	-	5,780,500	761,444
Payable to the State of Michigan	-	-	-	-	-	-	-	41,100,000	-	41,100,000
Bonds payable (Note 9)	94,475,670	72,331,914	60,965,000	58,815,000	-	2,393,642	85,000,000	-	240,440,670	133,540,556
Total current liabilities	663,189,001	942,978,120	117,133,623	106,569,385	117,943	2,477,029	85,258,282	41,100,000	865,698,849	1,093,124,534
<b>Noncurrent Liabilities</b>										
Accrued interest payable	47,843,176	55,868,587	-	-	-	-	-	-	47,843,176	55,868,587
Bonds payable (Note 9)	923,703,930	1,023,978,683	1,755,885,219	1,820,562,573	-	-	-	-	2,679,589,149	2,844,541,256
Total noncurrent liabilities	971,547,106	1,079,847,270	1,755,885,219	1,820,562,573	-	-	-	-	2,727,432,325	2,900,409,843
Total liabilities	1,634,736,107	2,022,825,390	1,873,018,842	1,927,131,958	117,943	2,477,029	85,258,282	41,100,000	3,593,131,174	3,993,534,377
<b>Net Assets</b>										
Unrestricted	11,562,734	7,697,578	-	-	-	-	-	-	11,562,734	7,697,578
Restricted (Note 1):										
Water pollution and drinking water projects	-	-	1,589,321,418	1,494,365,308	-	-	-	-	1,589,321,418	1,494,365,308
State Water Quality Initiatives Fund	-	-	-	-	46,433,893	-	-	-	46,433,893	-
School Loan Revolving Fund	-	-	-	-	-	-	214,533,004	31,206,380	214,533,004	31,206,380
Total net assets	11,562,734	7,697,578	1,589,321,418	1,494,365,308	46,433,893	-	214,533,004	31,206,380	1,861,851,049	1,533,269,266
Total liabilities and net assets	<u>\$ 1,646,298,841</u>	<u>\$ 2,030,522,968</u>	<u>\$ 3,462,340,260</u>	<u>\$ 3,421,497,266</u>	<u>\$ 46,551,836</u>	<u>\$ 2,477,029</u>	<u>\$ 299,791,286</u>	<u>\$ 72,306,380</u>	<u>\$ 5,454,982,223</u>	<u>\$ 5,526,803,643</u>

# Michigan Municipal Bond Authority of the State of Michigan

## Statement of Revenue, Expenses, and Changes in Net Assets

	Business-type Activities									
	General Fund		State Revolving Fund		Strategic Water Quality Initiatives Fund		School Loan Revolving Fund		Total	
	Year Ended September 30		Year Ended September 30		Year Ended September 30		Year Ended September 30		Year Ended September 30	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Operating Revenue</b>										
Interest	\$ 83,540,217	\$ 67,236,326	\$ 110,243,705	\$ 92,435,757	\$ 98,864	\$ 41,948	\$ 2,483,155	\$ -	\$ 196,365,941	\$ 159,714,031
Other (Note 10)	358,038	724,712	2,044,890	2,461,406	208,641	-	-	-	2,611,569	3,186,118
Total operating revenue	83,898,255	67,961,038	112,288,595	94,897,163	307,505	41,948	2,483,155	-	198,977,510	162,900,149
<b>Operating Expenses</b>										
Interest expense	73,479,998	64,334,289	87,326,800	84,772,581	20,518	125,645	223,282	-	161,050,598	149,232,515
Amortization of deferred charges	5,876,834	5,272,046	1,277,258	1,216,411	3,500	28,200	25,408	-	7,183,000	6,516,657
Salaries, wages, and other administrative	676,267	924,476	2,499,359	2,440,723	210,685	37,830	-	-	3,386,311	3,403,029
Total operating expenses	80,033,099	70,530,811	91,103,417	88,429,715	234,703	191,675	248,690	-	171,619,909	159,152,201
<b>Operating Income (Loss)</b>	3,865,156	(2,569,773)	21,185,178	6,467,448	72,802	(149,727)	2,234,465	-	27,357,601	3,747,948
<b>Nonoperating Revenue - Operating subsidies (Note 1)</b>	-	-	73,770,932	65,423,351	46,361,091	149,727	181,092,159	31,206,380	301,224,182	96,779,458
<b>Changes in Net Assets</b>	3,865,156	(2,569,773)	94,956,110	71,890,799	46,433,893	-	183,326,624	31,206,380	328,581,783	100,527,406
<b>Net Assets - Beginning of year</b>	7,697,578	10,267,351	1,494,365,308	1,422,474,509	-	-	31,206,380	-	1,533,269,266	1,432,741,860
<b>Net Assets - End of year</b>	<u>\$ 11,562,734</u>	<u>\$ 7,697,578</u>	<u>\$ 1,589,321,418</u>	<u>\$ 1,494,365,308</u>	<u>\$ 46,433,893</u>	<u>\$ -</u>	<u>\$ 214,533,004</u>	<u>\$ 31,206,380</u>	<u>\$ 1,861,851,049</u>	<u>\$ 1,533,269,266</u>

# Michigan Municipal Bond Authority of the State of Michigan

## Statement of Cash Flows

	Business-type Activities									
	General Fund		State Revolving Fund		Strategic Water Quality Initiatives Fund		School Loan Revolving Fund		Total	
	Year Ended September 30		Year Ended September 30		Year Ended September 30		Year Ended September 30		Year Ended September 30	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Cash Flows from Operating Activities</b>										
Cash payments to employees and suppliers for goods and services	\$ (676,267)	\$ (924,476)	\$ (1,831,360)	\$ (2,060,139)	\$ (104,129)	\$ (41,041)	\$ -	\$ -	\$ (2,611,756)	\$ (3,025,656)
Other operating revenue	272,768	599,962	2,061,802	7,496,998	208,641	-	-	-	2,543,211	8,096,960
Net cash provided by (used in) operating activities	(403,499)	(324,514)	230,442	5,436,859	104,512	(41,041)	-	-	(68,545)	5,071,304
<b>Cash Flows from Noncapital Financing Activities</b>										
Proceeds from sale of bonds and notes	557,408,763	1,088,905,320	-	276,736,817	-	2,400,000	85,000,000	-	642,408,763	1,368,042,137
Payment of bond issue costs	(1,660,398)	(8,970,366)	-	(2,200,334)	-	(20,999)	(485,117)	-	(2,145,515)	(11,191,699)
Principal paid on bonds and notes	(904,822,468)	(826,574,448)	(58,815,000)	(48,898,537)	(2,393,642)	(1,500,000)	-	-	(966,031,110)	(876,972,985)
Extinguishment of debt	(10,250,000)	-	-	(86,375,000)	-	-	-	-	(10,250,000)	(86,375,000)
Interest paid on bonds and notes	(101,951,787)	(83,901,231)	(88,270,235)	(88,943,881)	(92,518)	(58,024)	-	-	(190,314,540)	(172,903,136)
Operating subsidies	-	-	78,789,988	55,243,045	46,361,091	-	57,140,582	30,000,000	182,291,661	85,243,045
Proceeds from (payments on) receivables/payables from State of Michigan	-	-	1,752,076	1,285,919	243,057	-	(41,100,000)	-	(39,104,867)	1,285,919
Net cash provided by (used in) noncapital financing activities	(461,275,890)	169,459,275	(66,543,171)	106,848,029	44,117,988	820,977	100,555,465	30,000,000	(383,145,608)	307,128,281
<b>Cash Flows from Investing Activities</b>										
Loans made to local government units	(556,535,514)	(1,067,661,221)	(212,849,996)	(210,651,004)	(1,267,072)	(693,394)	(81,720,030)	-	(852,372,612)	(1,279,005,619)
Principal received on loan repayments	939,475,410	841,468,250	101,956,872	91,666,983	85,000	45,000	156,091	-	1,041,673,373	933,180,233
Interest received on loan repayments	76,955,917	55,874,793	40,609,918	36,834,156	-	-	(279,799)	-	117,286,036	92,708,949
Net (purchases of) proceeds from sale and maturities of investment securities	(3,145,263)	(3,964,904)	74,824,111	(84,671,341)	(284,428)	(174,279)	(5,636,736)	-	65,757,684	(88,810,524)
Interest and dividends on investments	5,073,711	5,073,711	64,287,637	54,329,969	95,069	42,529	13,329	-	69,469,746	59,446,209
Net cash provided by (used in) investing activities	461,824,261	(169,209,371)	68,828,542	(112,491,237)	(1,371,431)	(780,144)	(87,467,145)	-	441,814,227	(282,480,752)
<b>Net Increase (Decrease) in Cash</b>	144,872	(74,610)	2,515,813	(206,349)	42,851,069	(208)	13,088,320	30,000,000	58,600,074	29,718,833
<b>Cash - Beginning of year</b>	-	74,610	22,368	228,717	-	208	30,000,000	-	30,022,368	303,535
<b>Cash - End of year</b>	<u>\$ 144,872</u>	<u>\$ -</u>	<u>\$ 2,538,181</u>	<u>\$ 22,368</u>	<u>\$ 42,851,069</u>	<u>\$ -</u>	<u>\$ 43,088,320</u>	<u>\$ 30,000,000</u>	<u>\$ 88,622,442</u>	<u>\$ 30,022,368</u>

# Michigan Municipal Bond Authority of the State of Michigan

## Statement of Cash Flows (Continued)

	Business-type Activities									
	General Fund		State Revolving Fund		Strategic Water Quality Initiatives Fund		School Loan Revolving Fund		Total	
	Year Ended September 30		Year Ended September 30		Year Ended September 30		Year Ended September 30		Year Ended September 30	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Reconciliation of operating income (loss) to net cash from operating activities:										
Operating income (loss)	\$ 3,865,156	\$ (2,569,773)	\$ 21,185,178	\$ 6,467,448	\$ 72,802	\$ (149,727)	\$ 2,234,465	\$ -	\$ 27,357,601	\$ 3,747,948
Adjustments to reconcile operating income (loss) to net cash from operating activities:										
Interest income reported as cash flows from investing activities	(83,540,217)	(67,236,326)	(110,243,705)	(92,435,757)	(98,864)	(41,948)	(2,483,155)	-	(196,365,941)	(159,714,031)
Interest expense reported as cash flows from noncapital financing activities	73,479,998	64,334,289	87,326,800	84,772,581	20,518	125,645	223,282	-	161,050,598	149,232,515
Amortization of deferred charges	5,876,834	5,272,046	1,277,258	1,216,411	3,500	28,200	25,408	-	7,183,000	6,516,657
Changes in assets and liabilities:										
(Increase) decrease in receivables	(85,270)	(124,750)	(218,410)	5,469,436	-	-	-	-	(303,680)	5,344,686
Increase (decrease) in payables	-	-	903,321	(53,260)	106,556	(3,211)	-	-	1,009,877	(56,471)
Net cash provided by (used in) operating activities	\$ (403,499)	\$ (324,514)	\$ 230,442	\$ 5,436,859	\$ 104,512	\$ (41,041)	\$ -	\$ -	\$ (68,545)	\$ 5,071,304

**Noncash Investing, Capital, and Financing Activities** - During 2006, the State of Michigan assigned \$166,257,957 of future school bond loan repayments to the School Loan Revolving Fund and terminated the previous assignment of loans of \$42,306,380. During 2005, the State of Michigan assigned \$42,306,380 of future school bond loan repayments to the School Loan Revolving Fund in exchange for \$41,000,000.

# Michigan Municipal Bond Authority of the State of Michigan

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## Notes to Financial Statements September 30, 2006 and 2005

### Note I - Significant Accounting Policies

The accounting policies of Michigan Municipal Bond Authority of the State of Michigan conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Michigan Municipal Bond Authority (the Authority), a component unit of the State of Michigan, was created pursuant to Act 227 of the Michigan Public Acts of 1985 (the "Shared Rating Credit Act"), as amended. The Authority provides alternative sources of funding for government units within the State to undertake or continue public improvements by assisting those government units in financing and marketing, in an orderly fashion, municipal debt. The Authority is empowered to borrow money and to issue its bonds and notes to provide funds for various municipal purposes, such as public improvement, deficit reduction, and other purposes.

The Authority is governed by its own board of trustees, who are appointed by the governor of the State of Michigan, and functions as a separate and distinct corporate body from the State. The Authority is not empowered to create, in any fashion, debt or liabilities on behalf of the State or to pledge the full faith and credit of the State. Certain nonprogrammatic administrative functions are provided by the State and paid by the Authority. In accordance with accounting principles generally accepted in the United States of America, there are no component units required to be included in this financial report.

For accountability purposes, the accounts of the Authority are organized into four distinct funds, each of which is considered a separate accounting entity:

**General Fund** - The General Fund is the main operating fund for the Authority and accounts for all of the activities that are not accounted for in the State Revolving Fund, the Strategic Water Quality Initiatives Fund, and the School Loan Revolving Fund.

**State Revolving Fund** - Michigan Municipal Bond Authority and the Michigan Department of Environmental Quality serve as co-administrators of the State Revolving Fund.

# Michigan Municipal Bond Authority of the State of Michigan

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**Notes to Financial Statements  
September 30, 2006 and 2005**

## **Note I - Significant Accounting Policies (Continued)**

The State Revolving Fund consists of the Clean Water Program and the Drinking Water Program. The State Revolving Fund provides reduced interest loans for the construction of water pollution control and drinking water projects. From 1989 through 1992, the Authority's State Revolving Fund operated as a direct loan program. Since 1992, the Authority has sold State Revolving Fund Revenue Bonds. It is from these bond issues that local units of government receive reimbursements for approved project costs up to the total amount of their loans.

The State of Michigan received federal capitalization grants from the U.S. EPA from fiscal year 1989 through 2006. The capitalization grants, in addition to released funds from the reserve accounts and the state-match funds, are deposited into the reserve accounts to provide coverage for the revenue bonds. In addition, interest earned on the investment of program funds is used to help meet the debt service obligations of the Authority. The State or other sources provide \$1,000,000 in matching funds for every \$5,000,000 in federal contributions. To be eligible for a loan, the project must be included on the State's project priority list and annual intended use plan. Federal contributions and state match are funded and recognized as operating subsidies, which are nonoperating revenues to the Authority, when amounts are earned. The Michigan Department of Environmental Quality (DEQ) receives up to 4.0 percent of the federal capitalization grant to reimburse a portion of salaries and administrative costs incurred for DEQ and the Authority. In addition, the State provides matching funds to cover a portion of salaries and administrative costs associated with the Clean Water Program. Administrative fees received from the Department of Environmental Quality to cover these expenses are recognized as other operating revenue in the accompanying statement of revenue, expenses, and changes in net assets.

**Strategic Water Quality Initiatives Fund** - Michigan Municipal Bond Authority and The Department of Environmental Quality serve as co-administrators of the Strategic Water Quality Initiatives Fund (SWQIF).

The Strategic Water Quality Initiatives Fund provides low-interest loans that allow qualified municipalities to access financing for the construction of needed water pollution control facilities that cannot qualify for State Revolving Fund assistance.

The Fund was created by the passage of Proposal 2 by Michigan voters in November 2002 which authorized up to \$1 billion of State General Obligation Bonds for the purpose of improving the quality of waters in the State. The first \$100 million of Great Lakes Water Quality Bonds was issued to the Authority (registered owner) in December 2003.

# Michigan Municipal Bond Authority of the State of Michigan

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**Notes to Financial Statements  
September 30, 2006 and 2005**

## **Note I - Significant Accounting Policies (Continued)**

The Strategic Water Quality Initiatives Grant Program was signed into law in December 2005. In total, \$40 million of Strategic Water Quality Initiatives Fund monies have been authorized to be used for grants to municipalities seeking loan assistance from the State Revolving Fund (SRF) and/or the SWQIF Loan programs. A municipality may receive up to \$1 million in total grant assistance. A local match of 10 percent is required on all grant eligible costs. General obligation bonds were issued by the State of Michigan in September 2006 to fund grants and cover costs incurred by the Department of Environmental Quality and the Authority to administer the program. If certain conditions of the grant are not met, the grant must be repaid, with interest, to the SWQIF fund within 90 days of being informed to do so.

In October 2005, the State issued \$4 million of general obligation bonds and contributed the proceeds to the SWQIF to pay the principal and interest on the maturing 2004B bonds and to provide funds for new loans. In September 2006, the State issued \$47 million in General Obligation Bonds in connection with the Water Quality Program. The proceeds from these bonds were contributed to the SWQIF and will be used to fund the Grant Program as well as make new loans.

**School Loan Revolving Fund** - The School Loan Revolving Fund was established by 2005 PA 93 (Act 93). This fund is used to fund qualified loans to school districts as approved by the State and for other purposes as specified in the act including paying the costs of the Authority to administer the fund. Act 93 also authorized the Authority to purchase or accept, by assignment from the State, loan repayment obligations from a school district on a qualified loan made by the State pursuant to the School Loan Act. During fiscal year 2005, the School Loan Revolving Fund received a \$30 million contribution from the State to fund new loans in addition to an assignment of loan repayments obligations totaling \$42.3 million on loans previously made from the school bond loan fund. In exchange for the assignment of loan repayments, the Authority allocated \$41.1 million in fiscal year 2005 from the School Loan Revolving Fund to the State of Michigan School Aid Fund. This resulted in the Authority recording a liability to the SAF at September 30, 2005.



# Michigan Municipal Bond Authority of the State of Michigan

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## Notes to Financial Statements September 30, 2006 and 2005

### Note 1 - Significant Accounting Policies (Continued)

During fiscal year 2006, the Authority issued bonds in the amount of \$85 million. Proceeds of the bonds were used to reimburse the State of Michigan School Aid Fund for school loans that have been made by the State and for the purpose of funding additional school loans, funding certain reserve accounts for the bonds, and paying issuance costs. In addition, the Authority also received a contribution from the State in the amount of \$56.9 million. At the time bonds were issued, the Authority transferred to the State School Aid Fund \$85.6 million in exchange for the assignment of selected future loan repayments. The prior assignment agreement was terminated and a new agreement was implemented.

#### **Basis of Presentation**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Authority follows the business-type activities reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the Authority's financial activities.

#### **Basis of Accounting**

The Authority follows the accounting rules promulgated by the Governmental Accounting Standards Board. Additionally, the Authority follows all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless pronouncements conflict with or contradict GASB statements. The periodic determination of revenues earned, expenses incurred, and net income is appropriate for management control and accountability; therefore, the Enterprise Fund model is followed and the full-accrual basis of accounting is used.

**Accounts Payable and Other Liabilities** - Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt proceeds in excess of interest paid. The Authority has recorded an estimated liability, which is included in accounts payable and other liabilities. Final amounts will be required to be forwarded to the federal government at a future date. The Authority has funds designated to pay the potential liability.

**Deferred Revenue** - The State Revolving Fund deferred revenue reflects current money received that is to be used to match federal capitalization grants which provide loans to local units of government.

# Michigan Municipal Bond Authority of the State of Michigan

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## Notes to Financial Statements September 30, 2006 and 2005

### Note 1 - Significant Accounting Policies (Continued)

**Restricted Net Assets** - The State Revolving Fund, Strategic Water Quality Initiatives Fund, and the School Loan Revolving Fund restricted net assets are for the construction of water pollution control, drinking water projects, sewage system improvements, and for qualified loans to school districts.

**Revenues/Expenses** - Operating revenues and expenses generally result from providing services. All other revenues and expenses are reported as nonoperating.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 2 - Deposit and Investments

Cash and investments held by the Authority at September 30 were as follows:

	Cash and Cash Equivalents	Investments	Total
<u>2006</u>			
Deposits	\$ 88,622,442	\$ -	\$ 88,622,442
Government money market funds	-	276,330,515	276,330,515
Investments	-	1,340,307,011	1,340,307,011
Total	<u>\$ 88,622,442</u>	<u>\$1,616,637,526</u>	<u>\$ 1,705,259,968</u>
<u>2005</u>			
Deposits	\$ 30,022,368	\$ -	\$ 30,022,368
Government money market funds	-	193,829,283	193,829,283
Investments	-	1,488,565,927	1,488,565,927
Total	<u>\$ 30,022,368</u>	<u>\$1,682,395,210</u>	<u>\$ 1,712,417,578</u>

The Authority has designated five banks for the deposit of its funds. The investment policy in accordance with state statutes has authorized investment in bonds and securities of the United States government and its agencies, prime commercial paper, bank accounts, and CDs and allows the Authority to invest in accordance with bond indentures. The Authority's deposits and investment policies are in accordance with state statutes.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 2 - Deposit and Investments (Continued)

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. The authority had \$88,622,442 and \$30,022,368 of bank deposits at September 30, 2006 and 2005, respectively. For each year, \$100,000 was covered by federal depository insurance coverage and none of the deposits are covered by collateral held in the pledging bank's trust department in the Authority's name. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Custodial Credit Risk of Investments

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have an investment policy for custodial credit risk. At September 30, the following investment securities were uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Authority's name:

Type of Investment	Carrying Value		How Held
	2006	2005	
Government money market funds	\$ 276,330,515	\$ 193,829,282	Counterparty's trust dept
Guaranteed investment contracts	748,191,558	943,044,888	Counterparty's trust dept
U.S. government securities	501,513,717	522,521,040	Counterparty's trust dept
Commercial paper	90,601,736	23,000,000	Counterparty's trust dept

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 2 - Deposit and Investments (Continued)

At September 30, 2006, the average maturities of investments are as follows:

Type of Investment	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Government money market funds	\$ 276,330,515	\$ 276,330,515	\$ -	\$ -	\$ -
Guaranteed investment contracts	748,191,558	143,916,236	75,059,961	19,785,519	509,429,842
U.S. government securities	501,513,717	364,959,790	79,593,522	29,946,465	27,013,940
Commercial paper	90,601,736	90,601,736	-	-	-

At September 30, 2005, the average maturities of investments are as follows:

Type of Investment	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Government money market funds	\$ 193,829,282	\$ 193,829,282	\$ -	\$ -	\$ -
Guaranteed investment contracts	943,044,888	-	426,674,400	6,940,646	509,429,842
U.S. government securities	522,521,039	380,754,585	84,906,043	29,946,465	26,913,946
Commercial paper	23,000,000	23,000,000	-	-	-

### Credit Risk

The Authority has no investment policy that would limit its investment choices, except as noted in the state statute. At September 30, 2006, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Government money market funds	\$ 276,330,515	AAAm	S&P
Guaranteed investment contracts	711,294,058	AA-	S&P
Guaranteed investment contracts	17,111,984	AAA	S&P
Guaranteed investment contracts	19,785,516	AA+	S&P
U.S. government securities	501,513,717	AAA	S&P
Commercial paper	90,601,736	A1	S&P

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 2 - Deposit and Investments (Continued)

At September 30, 2005, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Government money market funds	\$ 972,477	AAAm	S&P
Government money market funds	192,856,806	Not rated	N/A
Guaranteed investment contracts	17,111,984	AAA	S&P
Guaranteed investment contracts	6,940,646	AA+	S&P
Guaranteed investment contracts	918,992,258	AA-	S&P
Commercial paper	23,000,000	A1	S&P

### Note 3 - Deferred Charges

Deferred charges represent bond and note issuance costs as of September 30, 2006 and 2005. These costs are being amortized using the interest method over the life of the related notes and bonds. Accumulated amortization was \$26,612,197 and \$22,128,456 at September 30, 2006 and 2005, respectively.

### Note 4 - Revenue Notes Payable and Receivable

Pooled state aid anticipation notes payable consisted of the following at September 30, 2006 and 2005:

Series	Interest		Maturity Date	Beginning as of	Additions	Deletions	Ending as of
	Rate (%)	Yield (%)		October 1, 2005			September 30, 2006
2006A	4.50	3.60	August 18, 2006	\$ -	\$ 9,340,000	\$ (9,340,000)	\$ -
2006B1	4.50	3.68	August 20, 2007	-	59,206,983	(53,442)	59,153,541
2006B2	4.50	3.68	August 20, 2007	-	478,660,336	(432,055)	478,228,281
2005A Detroit	3.75	2.55	March 22, 2005	160,384,064	-	(160,384,064)	-
2005B1	4.00	2.87	August 19, 2005	76,423,174	-	(76,423,174)	-
2005B2	4.00	2.92	August 19, 2005	449,839,235	-	(449,839,235)	-
2005C Detroit	4.25	3.03	August 19, 2005	145,978,045	-	(145,978,045)	-
Total				<u>\$ 832,624,518</u>	<u>\$ 547,207,319</u>	<u>\$ (842,450,015)</u>	<u>\$ 537,381,822</u>

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 4 - Revenue Notes Payable and Receivable (Continued)

Series	Interest		Maturity Date	Beginning as of	Additions	Deletions	Ending as of
	Rate (%)	Yield (%)		October 1, 2004			September 30, 2005
2005A	3.50	2.80	August 22, 2005	\$ -	\$ 12,825,000	\$ (12,825,000)	\$ -
2005A Detroit	3.75	2.55	March 22, 2005	-	161,056,614	(672,550)	160,384,064
2005B1	4.00	2.87	August 19, 2005	-	76,438,239	(15,065)	76,423,174
2005B2	4.00	2.92	August 19, 2005	-	449,903,426	(64,191)	449,839,235
2005C Detroit	4.25	3.03	August 19, 2005	-	146,174,746	(196,701)	145,978,045
2004B1	3.00	1.55	August 19, 2005	298,127,565	-	(298,127,565)	-
2004B2	3.00	1.57	August 20, 2005	<u>464,923,353</u>	<u>-</u>	<u>(464,923,353)</u>	<u>-</u>
Total				<u>\$ 763,050,918</u>	<u>\$ 846,398,025</u>	<u>\$ (776,824,425)</u>	<u>\$ 832,624,518</u>

Pooled state aid anticipation notes receivable were \$536,370,080 and \$830,905,112 at September 30, 2006 and 2005, respectively. The notes receivable bear interest at rates ranging from 3.60 percent to 3.68 percent during 2006 and 2.55 percent to 3.03 percent during 2005. In addition, the yields on the notes receivable range from 3.922 percent to 5.413 percent during 2006 and 3.078 percent to 3.868 percent during 2005.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 5 - Bonds Receivable

Bonds receivable of the General Fund consist of receivables from governmental units to pay for the corresponding bonds payable disclosed in Note 9. The annual requirements for governmental units to repay bonds outstanding as of September 30, 2006, including both principal and interest, are as follows:

	Principal	Interest	Total
2007	\$ 83,057,207	\$ 47,176,652	\$ 130,233,859
2008	81,187,084	44,512,250	125,699,334
2009	82,515,206	41,473,764	123,988,970
2010	78,338,241	34,207,286	112,545,527
2011	68,182,703	27,016,991	95,199,694
2012-2016	215,301,810	80,177,942	295,479,752
2017-2021	56,524,864	27,548,931	84,073,795
2022-2026	10,305,544	2,552,421	12,857,965
2027-2031	3,740,727	1,103,470	4,844,197
2032-2035	1,979,203	184,200	2,163,403
Total	<u>\$ 681,132,589</u>	<u>\$ 305,953,907</u>	<u>\$ 987,086,496</u>

The interest is recorded as revenue when earned.

### Note 6 - State Revolving Fund Loans Receivable

The State Revolving Fund has made commitments to municipalities to loan funds for construction of publicly owned water pollution control facilities and drinking water projects. Loans are made from the State Revolving Fund. These loans are primarily secured by limited or unlimited tax general obligations or system revenue, and some are additionally secured by revenue sharing pledge agreements and/or reserve funds. Amounts committed and receivables consisted of the following at September 30:

	Total Commitments	Receivable	
		2006	2005
Clean Water Program:			
Acacia Park CSO Drainage District	\$ 1,635,000	\$ 685,000	\$ 765,000
Baraga	2,890,000	2,660,580	798,076
Birmingham	4,345,000	2,390,000	2,605,000
Bloomfield Hills	250,000	95,000	110,000



# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 6 - State Revolving Fund Loans Receivable (Continued)

	Total Commitments	Receivable	
		2006	2005
Clean Water Program (Continued):			
Bloomfield Village	\$ 3,135,000	\$ 1,665,000	\$ 1,815,000
Boyne City	8,395,000	7,391,620	4,459,015
Charter County of Wayne	256,580,000	167,010,399	175,700,440
Charter Township of Canton	2,295,000	660,000	785,000
Charter Township of Chesterfield	2,075,000	1,129,632	1,227,442
Charter Township of Clinton	1,405,000	1,230,000	1,290,000
Charter Township of Plainfield	1,485,000	375,749	455,749
Charter Township of Redford	2,470,000	937,897	1,062,897
Charter Township of Van Buren	12,025,000	-	-
City of Adrian	18,050,000	12,615,125	8,215,000
City of Bad Axe	6,630,000	538,142	-
City of Bangor	2,200,000	2,200,000	-
City of Bay	42,435,000	37,325,000	39,070,000
City of Belding	2,245,000	445,743	565,743
City of Dearborn	154,795,000	52,130,675	16,148,034
City of Detroit	592,410,000	475,945,631	469,768,788
City of East Lansing	28,220,000	18,542,090	17,310,840
City of Eaton Rapids	9,545,000	8,415,636	5,314,193
City of Escanaba	2,470,000	1,200,000	1,315,000
City of Farmington	13,090,000	3,130,000	3,845,000
City of Frankemuth	6,645,000	4,645,000	4,950,000
City of Garden City	2,435,000	1,054,936	1,174,936
City of Grand Ledge	1,615,000	600,000	680,000
City of Grand Rapids	68,385,000	27,229,957	30,581,693
City of Grosse Pointe Park	23,280,000	14,225,000	15,355,000
City of Grosse Pointe Farms	7,625,000	6,055,000	6,385,000
City of Lansing	159,815,000	99,011,231	88,694,737
City of Manistee	8,315,000	4,113,029	4,025,000
City of Marine City	10,415,000	3,660,000	4,150,000
City of Marquette	3,470,000	3,185,000	3,330,000
City of Marshall	1,800,000	410,000	545,000
City of Marysville	9,465,000	5,647,436	5,763,844
City of Menominee	1,520,000	600,000	680,000
City of Midland	5,130,000	4,144,063	4,359,063
City of Mt. Clemens	18,110,000	12,960,671	13,774,964
City of Port Huron	61,490,000	45,502,482	44,153,636
City of Riverview	10,860,000	5,388,539	5,933,539
City of Royal Oak	15,800,000	10,222,387	10,837,387
City of Saginaw	86,755,000	38,641,931	40,882,275
City of Sault Ste. Marie	11,715,000	8,667,110	8,912,503
City of Southfield	38,380,000	28,478,789	30,163,789

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 6 - State Revolving Fund Loans Receivable (Continued)

	Total Commitments	Receivable	
		2006	2005
Clean Water Program (Continued):			
City of St. Clair	\$ 5,065,000	\$ 4,338,287	\$ 4,548,287
City of St. Joseph	4,205,000	3,526,730	3,701,730
City of Sturgis	5,745,000	3,475,000	3,750,000
City of Three Rivers	6,030,000	5,960,000	-
City of Trenton	46,080,000	36,491,052	38,071,445
City of Warren	20,635,000	15,600,486	12,980,383
City of Wayne	1,310,000	470,000	510,000
City of South Lyon	17,250,000	16,206,151	14,992,277
Clinton	4,000,000	3,751,127	466,997
County of Newaygo	490,000	394,180	52,736
County of Bay	9,240,000	3,745,000	4,235,000
County of Calhoun	5,220,000	1,295,000	1,570,000
County of Cass	5,250,000	1,100,000	1,375,000
County of Clinton	430,000	90,000	115,000
County of Genesee	40,500,000	26,016,985	-
County of Grand Traverse	2,255,000	455,000	585,000
City of Hillsdale	2,785,000	1,080,000	1,220,000
County of Hillsdale	2,305,000	915,000	1,030,000
County of Ionia	6,475,000	1,620,000	2,005,000
County of Iosco	935,000	285,000	330,000
County of Jackson	2,700,000	1,205,000	1,340,000
County of Lenawee	5,035,000	2,481,988	2,717,483
County of Macomb	1,170,000	350,000	410,000
County of Monroe	13,510,000	7,275,000	7,940,000
County of Muskegon	31,500,000	4,664,017	-
County of Oakland	9,350,000	6,105,000	6,545,000
County of Ottawa	4,785,000	3,319,446	3,539,446
County of Roscommon	3,500,000	1,490,000	1,665,000
County of Saginaw	33,305,000	13,046,396	14,746,396
County of St. Clair	3,270,000	1,200,000	1,370,000
County of Van Buren	1,900,000	1,330,000	1,415,000
County of Washtenaw	9,855,000	1,275,000	1,380,000
County Road Board Commissioners of Ottawa County	2,075,000	465,000	575,000
Eaton County	2,860,000	1,870,093	
Genoa-Oceola Sanitary Sewer Drain #1	7,505,000	2,115,000	2,515,000
Georg W Kuhn Drainage District	104,870,000	93,119,167	94,358,722
Harbor Springs	5,875,000	4,979,770	5,209,770

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 6 - State Revolving Fund Loans Receivable (Continued)

	Total Commitments	Receivable	
		2006	2005
Clean Water Program (Continued):			
Hartland Township Sanitary Drain #2 Drainage Dist	\$ 8,765,000	\$ 4,410,441	\$ 4,835,441
Lake St. Clair Water Initiative	43,465,000	36,455,000	38,285,000
Malletts Creek Drainage District	2,180,000	424,942	-
Milk River Drain Drainage District	32,110,000	11,355,095	13,010,095
Rollin-Woodstock Sanitary Drain	5,080,000	4,200,000	4,430,000
South Huron Valley Utility Authority	48,620,000	32,827,133	34,438,780
Township of Genoa	3,065,000	775,000	930,000
Township of Grosse Isle	40,000,000	31,167,334	23,367,103
Township of Hamburg	1,590,000	435,000	520,000
Township of Leoni	1,710,000	770,000	855,000
Township of Whitelake	4,130,000	3,605,000	3,776,112
Village of Beulah	1,340,000	904,127	964,127
Village of Centreville	1,995,000	1,235,000	1,325,000
Village of Kent City	1,260,000	820,000	880,000
Village of Manchester	955,000	274,282	324,282
Village of Ontonagon	495,000	290,000	315,000
Village of Springport	735,000	518,999	547,137
Village of Stockbridge	2,770,000	2,365,090	2,180,428
Village of Suttons Bay	2,200,000	2,196,293	478,193
Village of Three Oaks	2,155,000	1,805,000	1,895,000
Subtotal	2,357,990,000	1,533,101,091	1,448,580,953
Drinking Water Program:			
Bay City	6,000,000	4,375,579	71,000
Carrolton Township	2,165,000	1,360,000	1,455,000
Carson City	1,600,000	1,481,560	770,144
Charter Township of Independence	18,625,000	17,155,000	11,984,883
Charter Township of Lansing	1,205,000	754,937	804,937
Charter Township of Monitor	455,000	326,085	341,085
City of Adrian	5,665,000	4,985,000	5,220,000
City of Ann Arbor	805,000	452,891	382,500
City of Belding	685,000	605,000	635,000
City of Boyne City	1,785,000	1,570,000	1,645,000
City of Brighton	1,520,000	1,279,294	1,344,294
City of Coopersville	750,000	525,000	560,000
City of Davison	6,000,000	5,364,981	5,604,981
City of Detroit	32,010,000	8,346,803	-
City of East Jordan	2,140,000	1,553,218	1,646,218
City of Eaton Rapids	1,745,000	1,099,806	1,164,806
City of Escanaba	2,750,000	2,415,000	2,530,000
City of Fenton	11,080,000	9,433,759	9,888,759
City of Ferndale	3,475,000	-	-
City of Flint	43,915,000	37,524,432	37,348,186

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 6 - State Revolving Fund Loans Receivable (Continued)

	Total Commitments	Receivable	
		2006	2005
Drinking Water Program (Continued):			
City of Flushing	\$ 2,045,000	\$ 1,295,000	\$ 1,385,000
City of Frankfort	1,775,000	1,250,000	1,330,000
City of Galesburg	2,500,000	1,044,383	-
City of Grand Blanc	4,400,000	3,773,680	3,963,680
City of Highland Park	6,000,000	5,069,898	5,229,898
City of Hudson	1,770,000	1,446,665	1,521,665
City of Hudsonville	500,000	350,000	375,000
City of Ironwood	900,000	635,000	675,000
City of Marine City	3,655,000	3,028,673	865,000
City of Melvindale	1,100,000	775,000	825,000
City of Mount Clemens	11,890,000	8,834,000	9,358,000
City of Mt. Morris	420,000	292,844	312,844
City of Muskegon	13,900,000	13,335,000	13,900,000
City of Plainwell	1,570,000	1,040,000	1,105,000
City of Port Huron	30,495,000	21,065,394	17,703,499
City of Portland	1,450,000	1,234,872	1,289,872
City of Reed	1,605,000	518,869	-
City of Rockford	2,440,000	1,715,000	1,825,000
City of Saline	6,840,000	6,140,733	6,019,994
City of Sault Ste. Marie	9,090,000	7,573,371	7,708,796
City of White Cloud	835,000	690,000	709,500
City of Wixom	17,365,000	12,040,621	12,819,297
City of Ypsilanti	12,900,000	11,575,000	12,105,000
County Board Road Commissioners of Ottawa County	2,260,000	1,622,087	1,717,087
County of Barry	1,895,000	593,281	618,281
County of Charlevoix	595,000	518,176	532,624
County of Huron	835,000	656,418	686,476
County of Jackson	3,365,000	2,910,000	3,050,000
County of Kalamazoo	750,000	731,477	523,432
County of Lapeer	1,155,000	701,507	746,507
County of Monroe	4,250,000	3,740,000	3,915,000
County of Sanilac	13,165,000	5,413,177	2,665,000
County of Shiawassee	850,000	715,544	-
County of St. Clair	21,225,000	12,204,919	12,560,600
County of Van Buren	830,000	557,340	597,340
County of Washtenaw	2,795,000	1,782,279	1,902,279
Township of Filer	1,490,000	1,305,641	1,365,641
Township of Marquette	4,520,000	3,737,086	1,644,427
Township of Summit	4,630,000	3,130,000	3,330,000
Village of Armada	3,740,000	3,445,335	3,112,432
Village of Beverly Hills	3,690,000	3,109,476	2,387,191
Village of Blissfield	7,235,000	5,475,707	5,795,707
Village of Breckenridge	330,000	185,000	200,000
Village of Brooklyn	1,500,000	697,218	-

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 6 - State Revolving Fund Loans Receivable (Continued)

	Total Commitments	Receivable	
		2006	2005
Drinking Water Program (Continued):			
Village of Caro	\$ 2,815,000	\$ 2,208,377	\$ 648,231
Village of Chelsea	9,200,000	7,440,000	7,835,000
Village of Colon	2,085,000	1,513,655	1,593,655
Village of Deerfield	925,000	806,050	855,000
Village of Grand Beach	720,000	509,334	539,334
Village of Holly	1,435,000	1,015,000	1,080,000
Village of Lake Linden	1,200,000	1,055,000	1,085,000
Village of Manchester	620,000	440,000	470,000
Village of Marion	1,800,000	1,648,383	1,693,383
Village of Milford	3,665,000	2,990,000	3,145,000
Village of Muir	2,190,000	1,720,979	1,810,979
Village of Nashville	965,000	805,000	845,000
Village of Northbranch	1,320,000	1,004,592	1,049,590
Village of Ontonagon	7,370,000	6,723,862	6,958,862
Village of Otisville	375,000	208,039	220,251
Village of Oxford	1,895,000	1,330,000	1,415,000
Village of Port Sanilac	2,135,000	1,916,206	1,996,206
Village of Shelby	1,365,000	1,140,000	1,200,000
Village of Sparta	4,330,000	3,430,000	3,620,000
Village of Stockbridge	345,000	147,820	-
Village of Sunfield	880,000	706,707	741,707
Ypsilanti Utility Authority	9,375,000	5,650,782	6,024,763
Subtotal	417,935,000	302,973,802	276,600,823
Total	\$ 2,775,925,000	\$ 1,836,074,893	\$ 1,725,181,776

Scheduled repayments of \$111,947,346 are expected to be collected during fiscal year 2007.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 7 - Public School Loans Receivable

#### *General Fund*

Loans receivable of the General Fund consisting of receivables from governmental units to pay for the corresponding bonds payable disclosed in Note 9 are as follows: Public School Academies - \$41,300,000 and Detroit Public Schools - \$212,774,112. The annual requirements for governmental units to repay loans outstanding as of September 30, 2006, including both principal and interest, are as follows:

	Principal	Interest	Total
2007	\$ 10,541,983	\$ 10,050,498	\$ 20,592,481
2008	10,299,980	15,625,665	25,925,645
2009	11,467,403	14,395,987	25,863,390
2010	12,884,855	13,012,578	25,897,433
2011	14,364,876	11,456,350	25,821,226
2012-2016	83,326,678	45,575,088	128,901,766
2017-2021	84,188,337	22,077,925	106,266,262
2022-2026	9,500,000	9,040,263	18,540,263
2027-2031	14,000,000	4,345,875	18,345,875
2032-2035	3,500,000	138,750	3,638,750
Total	<u>\$ 254,074,112</u>	<u>\$ 145,718,979</u>	<u>\$ 399,793,091</u>

#### *School Loan Revolving Fund*

The loans receivable of the School Loan Revolving Fund are from school districts that previously borrowed from the School Bond Loan Fund. These loans consist of new loans funded in fiscal year 2006 of \$81,694,622 and loans assigned to this fund by an agreement with the State of Michigan of \$140,344,469. There were repayments to the School Loan Revolving Fund during the fiscal year 2006 of \$156,089 representing loans funded from the fund and repaid to the fund. The balance of loans receivable in the fund at September 30, 2006 was \$221,883,000.

The assignment during the year ended September 30, 2005 of \$42,306,380 in loans was terminated during the year ended September 30, 2006.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 8 - Strategic Water Quality Initiatives Loans Receivable

The Strategic Water Quality Initiatives Fund has made commitments to municipalities to loan funds for purposes such as septic system upgrades, replacements, and other projects which are generally not eligible to be financed through the State Revolving Loan Fund Program. Loans are made from the Strategic Water Quality Initiatives Fund. These loans are primarily secured by limited or unlimited tax general obligations or system revenue, and some are additionally secured by revenue-sharing pledge agreements and/or reserve funds. Amounts committed and receivables consisted of the following at September 30:

	Total	Receivable	
	Commitments	2006	2005
City of Ann Arbor	\$ 2,645,000	\$ 2,380,165	\$ 1,226,302
Charter Township of Clinton	270,000	138,614	110,405
Total	<u>\$ 2,915,000</u>	<u>\$ 2,518,779</u>	<u>\$ 1,336,707</u>

Scheduled repayments of \$130,000 are expected to be collected during fiscal year 2007.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable

#### General Fund

Bonds payable of the General Fund consisted of the following at September 30:

Series	Date of Issue	Original Issue	Amount Outstanding as of September 30	
			2006	2005
Local Government Loan Program Revenue Bonds, Series 1986A, issued to provide funds to assist Michigan governmental units in the orderly financing of public improvements and for other municipal purposes on more favorable terms than might otherwise be obtained by such governmental units. The bonds bear interest at rates ranging from 6.55% to 8.625% and are due at various dates between 2007 and 2015. Amounts outstanding were as follows:				
1986A, Group 4	February 19, 1987	\$ 6,300,000	\$ 50,000	\$ 55,000
1986A, Group 7	June 11, 1987	14,900,000	335,000	375,000
1986A, Group 8	August 6, 1987	36,900,000	5,000	15,000
1986A, Group 19	March 23, 1989	18,275,000	315,000	385,000
Subtotal			705,000	830,000



# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

Series	Date of Issue	Original Issue	Amount Outstanding as of September 30	
			2006	2005
Local Government Loan Program Revenue Bonds (Resolution 1989) were issued to provide funds to assist Michigan governmental units in the orderly financing of public improvements, deficit financing, and other municipal purposes, secured by the revenue pledged, including the Municipal Obligations issued to the Authority and the funds held in reserve accounts. The bonds bear interest at rates ranging from 2.00% to 8.00% and are due at various dates between 2007 and 2034. Amounts outstanding were as follows:				
1990D	June 28, 1990	\$ 4,685,000	\$ -	\$ 145,000
1991A	February 28, 1991	106,234,562	34,174,941	39,751,507
1991B	April 11, 1991	4,120,000	50,000	60,000
1991C	June 27, 1991	56,140,074	14,340,275	16,227,365
1991D	August 29, 1991	141,183,756	1,070,575	3,400,218
1992A	March 26, 1992	57,640,000	220,000	325,000
1992B	May 14, 1992	7,075,000	-	135,000
1992D	September 3, 1992	9,635,000	135,000	150,000
1993A	April 6, 1993	6,705,000	435,000	780,000
1993B	July 13, 1993	30,925,000	4,685,000	6,095,000
1993C	June 17, 1993	2,275,000	475,000	600,000
1993D	August 26, 1993	16,385,000	815,000	990,000
1993E	December 16, 1993	5,880,000	340,000	495,000
1994A	April 14, 1994	105,935,000	58,405,000	65,615,000
1994B	March 30, 1994	13,080,000	615,000	665,000
1994C	May 24, 1994	50,610,000	6,735,000	8,495,000
1994D	May 19, 1994	4,975,000	275,000	305,000
1994E	August 25, 1994	2,455,000	20,000	30,000
1994F	October 13, 1994	6,935,000	630,000	690,000
1994G	December 21, 1994	72,149,737	9,586,122	9,939,737
1995A	June 22, 1995	15,205,000	280,000	385,000
1995B	December 14, 1995	20,800,000	11,570,000	15,235,000
1996A	September 20, 1996	5,755,000	135,000	890,000
1997A	April 29, 1997	7,705,000	3,785,000	4,325,000
1997B	August 14, 1997	17,375,000	6,140,000	11,945,000
1997C	October 30, 1997	16,335,000	6,175,000	7,325,000
1997D	December 22, 1997	9,300,000	4,315,000	5,095,000
1998A	June 16, 1998	16,100,000	6,665,000	7,300,000
1999A	February 9, 1999	10,910,000	4,310,000	4,975,000
1999B	April 28, 1999	38,605,000	21,380,000	23,190,000
1999C	June 24, 1999	16,685,000	11,010,000	11,925,000
1999D	November 17, 1999	8,255,000	3,195,000	6,020,000
2000A	May 17, 2000	10,815,000	6,970,000	7,640,000
2000B	November 28, 2000	5,905,000	5,160,000	5,345,000

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

Series	Date of Issue	Original Issue	Amount Outstanding as of September 30	
			2006	2005
2001A	March 29, 2001	\$ 9,055,000	\$ 8,370,000	\$ 8,640,000
2001B	July 12, 2001	10,065,000	6,525,000	7,300,000
2002A	July 1, 2002	30,060,000	23,035,000	24,670,000
2002B	November 1, 2002	16,790,000	14,675,000	15,360,000
2003A	April 7, 2003	3,980,000	3,195,000	3,465,000
2003B	September 30, 2003	19,665,000	17,700,000	18,640,000
2003C	September 30, 2003	160,000,000	145,365,000	160,000,000
2004A	February 18, 2004	41,155,000	35,705,000	39,155,000
2004B	May 13, 2004	26,830,000	17,140,000	22,150,000
2004C	December 16, 2004	9,985,000	8,655,000	9,940,000
2006A	May 10, 2006	9,825,000	9,825,000	-
Subtotal			514,286,913	575,808,827

School Loan Revenue Bonds, original Series 1998, refunding Series 2003 A and B and Series 2006 B, issued to provide funds to local school districts and intermediate school districts in the State of Michigan. Funds are to be used by the schools for the purposes permitted by the state school aid act of 1979. The bonds have a pledge of revenue from state sources subject to annual state appropriation. The bonds bear interest rates varying from 2.71% to 5.25% and are due semi-annually on June 1 and December 1 with final maturity on December 1, 2013:

2003A	March 25, 2003	197,295,000	197,295,000	197,295,000
2003B	March 25, 2003	30,300,000	19,500,000	30,300,000
Subtotal			216,795,000	227,595,000

Series 2005B Revenue Bonds, School District of the City of Detroit. The bonds bear interest at 5% and are due annually on June 1, beginning in 2007, with final maturity on June 1, 2020:

2005B	May 24, 2005	216,090,000	216,090,000	216,090,000
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# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

Series	Date of Issue	Original Issue	Amount Outstanding as of September 30	
			2006	2005
Long-term Public School Academy Program provides financing to public school academies that meet eligibility requirements. The Authority's bonds actual interest rates are 7.25% to 10.5% and are due annually on October 1 with final maturity on October 1, 2031:				
Detroit Academy of Arts & Science Series				
2001A	May 16, 2001	\$ 30,200,000	\$ 29,600,000	\$ 30,000,000
Detroit YMCA Service Learning Academy	May 16, 2001	12,100,000	<u>11,700,000</u>	<u>11,800,000</u>
Subtotal			<u>41,300,000</u>	<u>41,800,000</u>
Total bonds payable before net premium and deferred amount on refunding			989,176,913	1,062,123,827
Net premium on bonds payable			37,765,000	45,045,571
Deferred amount on refunding of bonds			<u>(8,762,313)</u>	<u>(10,858,801)</u>
Total bonds payable - General Fund			1,018,179,600	1,096,310,597
Less current portion			<u>94,475,670</u>	<u>72,331,914</u>
Long-term portion			\$ 923,703,930	\$ 1,023,978,683

The deferred amount on General Fund refunding will be amortized using the effective-interest method over the life of the new bonds.

Substantially all of the General Fund bonds have secondary security including bond insurance and a pledge of revenue from state sources distributed to governmental units.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

Changes in long-term debt are as follows:

	Beginning Balance October 1, 2005	Proceeds	Principal Payments/ Extinguishments	Ending Balance September 30, 2006	Due Within One Year
Local Government Loan Program					
Revenue Bonds, Series 1986A	\$ 830,000	\$ -	\$ (125,000)	\$ 705,000	\$ 125,000
Local Government Loan Program					
Revenue Bonds (Resolution 1989)	575,808,827	9,825,000	(71,346,914)	514,286,913	71,855,670
School Loan Revenue Bonds	227,595,000	-	(10,800,000)	216,795,000	10,865,000
Long-term Public School:					
Academy Bonds	41,800,000	-	(500,000)	41,300,000	600,000
Public School Bonds	216,090,000	-	-	216,090,000	11,030,000
Total	<u>\$ 1,062,123,827</u>	<u>\$ 9,825,000</u>	<u>\$ (82,771,914)</u>	<u>\$ 989,176,913</u>	<u>\$ 94,475,670</u>

	Beginning Balance October 1, 2004	Proceeds	Principal Payments	Ending Balance September 30, 2005	Due Within One Year
Local Government Loan Program					
Revenue Bonds, Series 1986A	\$ 1,030,000	\$ -	\$ (200,000)	\$ 830,000	\$ 200,000
Local Government Loan Program					
Revenue Bonds (Resolution 1989)	627,900,117	9,985,000	(62,076,290)	575,808,827	71,631,914
School Loan Revenue Bonds	227,595,000	-	-	227,595,000	-
Long-term Public School:					
Academy Bonds	42,300,000	-	(500,000)	41,800,000	500,000
Public School Bonds	-	216,090,000	-	216,090,000	-
Total	<u>\$ 898,825,117</u>	<u>\$ 226,075,000</u>	<u>\$ (62,776,290)</u>	<u>\$ 1,062,123,827</u>	<u>\$ 72,331,914</u>

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

The annual requirements for the General Fund to service debt outstanding as of September 30, 2006, including both principal and interest, are as follows:

	Principal	Interest	Total
2007	\$ 94,475,670	\$ 62,243,630	\$ 156,719,300
2008	92,791,765	58,884,029	151,675,794
2009	105,580,855	44,357,290	149,938,145
2010	98,926,962	39,654,569	138,581,531
2011	85,828,623	35,289,217	121,117,840
2012-2016	327,598,909	118,611,187	446,210,096
2017-2021	140,699,129	49,654,013	190,353,142
2022-2026	20,075,000	11,662,284	31,737,284
2027-2031	17,725,000	5,449,345	23,174,345
2032-2034	5,475,000	322,950	5,797,950
Total	<u>\$ 989,176,913</u>	<u>\$ 426,128,514</u>	<u>\$ 1,415,305,427</u>

Bond maturities, less accreted interest on capital appreciation bonds, approximate the related receivables from governmental units as disclosed in Notes 5 and 7.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

#### State Revolving Fund

Bonds payable of the State Revolving Fund consisted of the following at September 30:

Series	Date of Issue	Original Issue	Amount Outstanding as of September 30	
			2006	2005
State Revolving Fund Revenue Bonds are used to provide low-interest loans to municipalities. The bonds bear interest at rates ranging from 2.0% to 6.0% and are due at various dates between 2007 and 2028:				
State Revolving Fund Revenue Bonds, Series 1996A	August 29, 1996	\$ 86,750,000	\$ 42,340,000	\$ 47,930,000
State Revolving Fund Revenue Bonds, Series 1997	July 1, 1997	132,500,000	21,335,000	25,970,000
Clean Water Revolving Fund Revenue Bonds, Series 1998	July 15, 1998	151,165,000	119,770,000	126,330,000
Clean Water Revolving Fund Revenue Bonds, Series 2001	August 23, 2001	222,800,000	205,125,000	214,030,000
Drinking Water Revolving Fund Revenue Bonds, Series 2001	August 23, 2001	23,825,000	21,910,000	22,875,000
Clean Water Revolving Fund Revenue Bonds, Series 2002A	August 22, 2002	188,000,000	180,895,000	188,000,000
Drinking Water Revolving Fund Revenue Bonds, Series 2002A	August 22, 2002	72,735,000	69,975,000	72,735,000
Clean Water Revolving Fund Revenue Bonds, Series 2002R	August 22, 2002	469,100,000	403,375,000	421,510,000
Drinking Water Revolving Fund Revenue Bonds, Series 2002R	August 22, 2002	109,145,000	93,300,000	97,460,000
Clean Water Revolving Fund Revenue Bonds, Series 2004A	April 21, 2004	286,605,000	286,605,000	286,605,000
Drinking Water Revolving Fund Revenue Bonds, Series 2004A	April 21, 2004	67,895,000	67,895,000	67,895,000
Clean Water Revolving Fund Revenue Bonds, Series 2005A	July 26, 2005	103,630,000	103,630,000	103,630,000
Drinking Water Revolving Fund Revenue Bonds, Series 2005A	July 26, 2005	79,480,000	79,480,000	79,480,000
Clean Water Revolving Fund Revenue Bonds, Series 2005R	July 26, 2005	72,570,000	<u>72,570,000</u>	<u>72,570,000</u>
Subtotal			1,768,205,000	1,827,020,000
Premium on bonds payable			100,547,119	111,282,458
Deferred amount on refunding of bonds			<u>(51,901,900)</u>	<u>(58,924,885)</u>
Total bonds payable - State Revolving Fund			1,816,850,219	1,879,377,573
Less current portion			<u>60,965,000</u>	<u>58,815,000</u>
Long-term portion			\$ 1,755,885,219	\$ 1,820,562,573

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

The deferred amount on refunding will be amortized using the effective-interest method over the life of the new bonds.

Changes in long-term debt are as follows:

	Beginning Balance October 1, 2005	Proceeds	Principal Payments/ Extinguishments	Ending Balance September 30, 2006	Due Within One Year
<u>2006</u>					
State Revolving Fund Revenue Bonds	\$ 1,827,020,000	\$ -	\$ (58,815,000)	\$ 1,768,205,000	\$ 60,965,000
<u>2005</u>					
State Revolving Fund Revenue Bonds	\$ 1,703,015,000	\$ 255,680,000	\$ (131,675,000)	\$ 1,827,020,000	\$ 58,815,000

The annual requirements for the State Revolving Fund to service debt outstanding as of September 30, 2006, including both principal and interest, are as follows:

	Principal	Interest	Total
2007	\$ 60,965,000	\$ 88,704,698	\$ 149,669,698
2008	76,985,000	85,243,116	162,228,116
2009	87,110,000	81,132,069	168,242,069
2010	90,245,000	76,714,089	166,959,089
2011	92,615,000	72,130,766	164,745,766
2012-2016	500,410,000	285,045,585	785,455,585
2017-2021	529,180,000	150,740,378	679,920,378
2022-2026	285,505,000	41,305,341	326,810,341
2027-2028	45,190,000	1,666,000	46,856,000
Total	\$ 1,768,205,000	\$ 882,682,042	\$ 2,650,887,042

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

#### Strategic Water Quality Initiatives Fund

Bonds payable of the Strategic Water Quality Initiatives Fund consisted of the following at September 30:

Series	Date of Issue	Original Issue	Amount Outstanding as of September 30	
			2006	2005
Strategic Water Quality Initiatives Fund - Revenue Bonds, Series 2005B	December 14, 2005	\$ 2,400,000	\$ -	\$ 2,400,000
Discount on bonds payable			-	(6,358)
Total bonds payable - Strategic Water Quality Initiatives Fund			<u>\$ -</u>	<u>\$ 2,393,642</u>

Changes in long-term debt are as follows:

	Beginning Balance	Proceeds	Principal Payments/ Extinguishments	Ending Balance	Due Within One Year
Strategic Water Quality Initiatives Fund Revenue Bonds	<u>\$ 2,400,000</u>	<u>\$ -</u>	<u>\$ (2,400,000)</u>	<u>\$ -</u>	<u>\$ -</u>

#### School Loan Revolving Fund

During the fiscal year 2006, the School Loan Revolving Fund issued \$85,000,000 of federally taxable bonds, due September 14, 2007. Interest is payable at 5.64 percent in quarterly installments. The ending principal balance was \$85,000,000 at September 30, 2006.



# Michigan Municipal Bond Authority of the State of Michigan

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## Notes to Financial Statements September 30, 2006 and 2005

### Note 9 - Bonds Payable (Continued)

#### Defeased Debt

During the fiscal year 2006, the General Fund issued \$9,825,000 of Local Government Loan Program Revenue Bonds, Series 2006A with an average coupon rate of 4.73 percent; the proceeds were used to partially refund various Local Government Loan Program Revenue Bonds in the amount of \$10,250,000 with an average interest rate of 5.52 percent. There is an economic gain of \$420,491 to the Authority. The deferred amount on refunding is the difference between the reacquisition price of \$10,027,630 carrying amount of the old debt of \$10,134,843. The deferred accounting gain on refunding of \$107,213 will be amortized using the effective interest method over the life of the new bonds. As a result, the bonds payable and receivable have been removed from the General Fund. The advance refunding decreased total debt service receipts and payments over the next 13 years by approximately \$1.2 million.

During the fiscal year 2005, the Clean Water State Revolving Fund issued Refunding Bonds at a premium with a par amount of \$72,570,000 and an average coupon rate of 5.00 percent. The proceeds were used to partially refund various Clean Water State Revolving Fund Bonds in the amount of \$86,375,000 with an average coupon rate of 5.24 percent. The net proceeds of \$90,960,369, including issuance of net premium of \$6,333,696 (after payment of \$630,260 in underwriting fees, insurance, and other issuance costs), plus an additional \$12,056,673 of investments, were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. There is an economic gain of \$4.72 million to the Authority. The deferred amount on refunding is the difference between the reacquisition price of \$86.8 million and the net carrying amount of the old debt of \$79.53 million.

The net deferred accounting loss on refunding of \$4,122,192 will be amortized using the effective-interest method over the life of the new bonds. As a result, the bonds payable and receivable have been removed from the State Revolving Fund. The advance refunding decreased total debt service receipts and payments over the next seven years by approximately \$23.91 million.

In prior years, the General and State Revolving Funds defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At September 30, 2006, \$544,620,000 of bonds outstanding is considered defeased.

# Michigan Municipal Bond Authority of the State of Michigan

## Notes to Financial Statements September 30, 2006 and 2005

### Note 10 - Other Income

Other income consists of the following:

	2006	2005
Administrative fee from the Department of Environmental Quality to the State Revolving Fund	\$ 2,044,890	\$ 2,461,406
Other income	<u>566,679</u>	<u>724,712</u>
Total other revenue	<u>\$ 2,611,569</u>	<u>\$ 3,186,118</u>

The State Revolving Fund processes requests for reimbursement of costs from various federal grants awarded to the Department of Environmental Quality (DEQ). The State Revolving Fund does not record these reimbursements relating to DEQ's program as revenues or expenses. These federal funds, processed on behalf of DEQ, are reflected in DEQ's accounting records.

### Note 11 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The State of Michigan provides coverage for the Authority.

### Note 12 - Employee Benefits

**Plan Descriptions** - The Michigan Municipal Bond Authority participates in the State of Michigan's defined benefit and defined contribution plans that cover most state employees, as well as related component units such as the Michigan Municipal Bond Authority. The defined benefit plan provides retirement, disability, death benefits, and annual cost of living adjustment to plan members. The system issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

# Michigan Municipal Bond Authority of the State of Michigan

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## Notes to Financial Statements September 30, 2006 and 2005

### Note 12 - Employee Benefits (Continued)

**Funding Policy** - Plan members are not required to make contributions; the Michigan Municipal Bond Authority is required to contribute at an actuarially determined rate for the defined benefit plan of 21.8 percent and 13.12 percent of payroll for the years ended September 30, 2006 and 2005, respectively. The defined benefit contributions to the plan were equal to the required contributions for each year. The Michigan Municipal Bond Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent for the years ended September 30, 2006 and 2005. The contribution requirements of plan members and the Michigan Municipal Bond Authority are established and may be amended by the state legislature. The state legislature establishes the extent to which employer and employees are required to make contributions and establishes the benefit provisions for the plan.

**Postemployment Benefits** - In addition, the Michigan Municipal Bond Authority participates in the State of Michigan's postemployment benefits. The cost of retiree health care benefits is an allocation calculated by the State of Michigan and funded on a pay-as-you go basis. Employees hired on or before March 30, 1997, who participate in either the defined benefit plan or the defined contribution plan and meet certain vesting and other requirements, will receive the full amount of health care benefits from the State of Michigan. For employees who were hired after March 1997, the State will pay up to 90 percent of health care benefits for employees who meet certain vesting and other requirements.

## **Other Supplemental Information**

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To the Michigan Municipal Bond Authority  
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

We have audited the basic financial statements of Michigan Municipal Bond Authority, a component unit of the State of Michigan, as of and for the years ended September 30, 2006 and 2005. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Michigan Municipal Bond Authority. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

November 14, 2006

# Michigan Municipal Bond Authority of the State of Michigan

## State Revolving Fund Combining Schedule of Net Assets

	Clean Water Program		Drinking Water Program		Total	
	September 30		September 30		September 30	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Cash	\$ 1,385,790	\$ 2,438	\$ 1,152,391	\$ 19,930	\$ 2,538,181	\$ 22,368
Investments	1,235,211,366	1,301,052,095	343,484,113	352,467,495	1,578,695,479	1,653,519,590
Accrued interest receivable	14,524,716	10,647,865	4,163,880	2,694,581	18,688,596	13,342,446
Deferred charges - Net	9,234,409	10,288,373	2,304,408	2,527,702	11,538,817	12,816,075
Receivable from State of Michigan	14,358,124	16,110,200	-	-	14,358,124	16,110,200
Loans receivable	1,533,101,091	1,448,580,953	302,973,802	276,600,823	1,836,074,893	1,725,181,776
Other receivables	328,353	314,250	117,817	190,561	446,170	504,811
Total assets	<b>\$ 2,808,143,849</b>	<b>\$ 2,786,996,174</b>	<b>\$ 654,196,411</b>	<b>\$ 634,501,092</b>	<b>\$ 3,462,340,260</b>	<b>\$ 3,421,497,266</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 4,463,360	\$ 3,868,105	\$ 374,387	\$ 97,336	\$ 4,837,747	\$ 3,965,441
Due to other governmental units	377,868	340,504	63,182	69,531	441,050	410,035
Accrued interest payable	36,769,134	35,289,035	8,340,192	7,328,430	45,109,326	42,617,465
Deferred revenue	-	-	5,780,500	761,444	5,780,500	761,444
Bonds payable	1,471,539,221	1,525,106,167	345,310,998	354,271,406	1,816,850,219	1,879,377,573
Total liabilities	1,513,149,583	1,564,603,811	359,869,259	362,528,147	1,873,018,842	1,927,131,958
<b>Net Assets</b>						
Restricted - Water pollution and drinking water projects	1,294,994,266	1,222,392,363	294,327,152	271,972,945	1,589,321,418	1,494,365,308
Total liabilities and net assets	<b>\$ 2,808,143,849</b>	<b>\$ 2,786,996,174</b>	<b>\$ 654,196,411</b>	<b>\$ 634,501,092</b>	<b>\$ 3,462,340,260</b>	<b>\$ 3,421,497,266</b>

# Michigan Municipal Bond Authority of the State of Michigan

## State Revolving Fund Combining Schedule of Revenue, Expenses, and Changes in Net Assets

	Clean Water Program		Drinking Water Program		Total	
	September 30		September 30		September 30	
	2006	2005	2006	2005	2006	2005
<b>Operating Revenue</b>						
Interest	\$ 88,706,140	\$ 76,319,675	\$ 21,537,565	\$ 16,116,082	\$ 110,243,705	\$ 92,435,757
Other	1,865,770	2,130,470	179,120	330,936	2,044,890	2,461,406
Total operating revenue	90,571,910	78,450,145	21,716,685	16,447,018	112,288,595	94,897,163
<b>Operating Expenses</b>						
Interest expense	71,444,767	71,478,106	15,882,033	13,294,475	87,326,800	84,772,581
Amortization of deferred charges - Net	1,053,965	1,029,253	223,293	187,158	1,277,258	1,216,411
Salaries, wages, and other administrative	2,286,016	2,212,159	213,343	228,564	2,499,359	2,440,723
Total operating expenses	74,784,748	74,719,518	16,318,669	13,710,197	91,103,417	88,429,715
<b>Operating Income</b>	15,787,162	3,730,627	5,398,016	2,736,821	21,185,178	6,467,448
<b>Nonoperating Revenue</b> - Operating subsidies	56,814,741	33,959,995	16,956,191	31,463,356	73,770,932	65,423,351
<b>Changes in Net Assets</b>	72,601,903	37,690,622	22,354,207	34,200,177	94,956,110	71,890,799
<b>Net Assets</b> - Beginning of year	1,222,392,363	1,184,701,741	271,972,945	237,772,768	1,494,365,308	1,422,474,509
<b>Net Assets</b> - End of year	<u>\$ 1,294,994,266</u>	<u>\$ 1,222,392,363</u>	<u>\$ 294,327,152</u>	<u>\$ 271,972,945</u>	<u>\$ 1,589,321,418</u>	<u>\$ 1,494,365,308</u>

# Michigan Municipal Bond Authority of the State of Michigan

## State Revolving Fund Combining Schedule of Cash Flows

	Clean Water Program		Drinking Water Program		Total	
	Year Ended September 30		Year Ended September 30		Year Ended September 30	
	2006	2005	2006	2005	2006	2005
<b>Cash Flows from Operating Activities</b>						
Cash payments to employees and suppliers for goods and services	\$ (1,690,761)	\$ (1,821,089)	\$ (140,599)	\$ (239,050)	\$ (1,831,360)	\$ (2,060,139)
Other operating revenue	1,889,031	4,587,689	172,771	2,909,309	2,061,802	7,496,998
Net cash provided by operating activities	198,270	2,766,600	32,172	2,670,259	230,442	5,436,859
<b>Cash Flows from Noncapital Financing Activities</b>						
Proceeds from sale of bonds and notes	-	191,574,803	-	85,162,014	-	276,736,817
Payment of bond issue costs	-	(1,520,017)	-	(680,317)	-	(2,200,334)
Principal paid on bonds and notes	(50,930,000)	(43,953,537)	(7,885,000)	(4,945,000)	(58,815,000)	(48,898,537)
Extinguishment of debt	-	(86,375,000)	-	-	-	(86,375,000)
Interest paid on bonds and notes	(72,601,608)	(75,328,536)	(15,668,627)	(13,615,345)	(88,270,235)	(88,943,881)
Operating subsidies	56,814,741	29,196,404	21,975,247	26,046,641	78,789,988	55,243,045
Proceeds on receivables from State of Michigan	1,752,076	1,285,919	-	-	1,752,076	1,285,919
Net cash provided by (used in) noncapital financing activities	(64,964,791)	14,880,036	(1,578,380)	91,967,993	(66,543,171)	106,848,029
<b>Cash Flows from Investing Activities</b>						
Loans made to local government units	(172,552,221)	(154,001,994)	(40,297,775)	(56,649,010)	(212,849,996)	(210,651,004)
Principal received on loan repayments	88,032,076	79,881,686	13,924,796	11,785,297	101,956,872	91,666,983
Interest received on loan repayments	35,435,278	31,659,516	5,174,640	5,174,640	40,609,918	36,834,156
Net (purchases) proceeds from sale and maturities of investment securities	65,840,729	(18,870,643)	8,983,382	(65,800,698)	74,824,111	(84,671,341)
Interest and dividends on investments	49,394,011	43,671,483	14,893,626	10,658,486	64,287,637	54,329,969
Net cash provided by (used in) investing activities	66,149,873	(17,659,952)	2,678,669	(94,831,285)	68,828,542	(112,491,237)



# Michigan Municipal Bond Authority of the State of Michigan

## State Revolving Fund Combining Schedule of Cash Flows (Continued)

	Clean Water Program		Drinking Water Program		Total	
	Year Ended September 30		Year Ended September 30		Year Ended September 30	
	2006	2005	2006	2005	2006	2005
<b>Net Increase (Decrease) in Cash</b>	\$ 1,383,352	\$ (13,316)	\$ 1,132,461	\$ (193,033)	\$ 2,515,813	\$ (206,349)
<b>Cash - Beginning of year</b>	2,438	15,754	19,930	212,963	22,368	228,717
<b>Cash - End of year</b>	<u><b>\$ 1,385,790</b></u>	<u><b>\$ 2,438</b></u>	<u><b>\$ 1,152,391</b></u>	<u><b>\$ 19,930</b></u>	<u><b>\$ 2,538,181</b></u>	<u><b>\$ 22,368</b></u>
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 15,787,162	\$ 3,730,627	\$ 5,398,016	\$ 2,736,821	\$ 21,185,178	\$ 6,467,448
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Interest income reported as cash flows from investing activities	(88,706,140)	(76,319,675)	(21,537,565)	(16,116,082)	(110,243,705)	(92,435,757)
Interest expense reported as cash flows from noncapital financing activities	71,444,767	71,478,106	15,882,033	13,294,475	87,326,800	84,772,581
Amortization of deferred charges	1,053,965	1,029,253	223,293	187,158	1,277,258	1,216,411
Changes in assets and liabilities:						
(Increase) decrease in receivables	(14,103)	2,562,587	(204,307)	2,906,849	(218,410)	5,469,436
Increase (decrease) in payables	632,619	285,702	270,702	(338,962)	903,321	(53,260)
<b>Net cash provided by operating activities</b>	<u><b>\$ 198,270</b></u>	<u><b>\$ 2,766,600</b></u>	<u><b>\$ 32,172</b></u>	<u><b>\$ 2,670,259</b></u>	<u><b>\$ 230,442</b></u>	<u><b>\$ 5,436,859</b></u>